



Quarterly Revenue Update

June 2003



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This report is a quarterly publication that provides an update on the collection of selected County revenues. For questions, please call the above at (240) 777-8866.

➤ **Preliminary Fiscal Year 2003 Results.** Total revenue collections of \$1.735 billion during fiscal year (FY) 2003 are 0.3% lower compared to FY02 and slightly above the revised estimate for this fiscal year. Based on the collections to date for the portfolio of these selected revenues, the County is on target. Tax collections increased slightly (+0.6%) over FY02, while collections from investment income and the Highway User Fund have declined significantly over the past fiscal year. It is important to note that the County receives collections subsequent to the end of FY03 but are applicable to that fiscal year. Such timing between date of collections and the recording of those collections may distort any final comparison to FY02 at this time. Therefore, the data presented below should be viewed as preliminary.

➤ **Income Tax.** Collections for FY03 were \$788.0 million or \$79.0 million (-9.1%) below the collections during FY02 but a slight improvement over the revised budget forecast. The decline is attributed to a very weak 2001 tax year; a year in which net taxable income contracted an unprecedented 6.9% for the County due to a weak labor market and declining capital gains. The weak labor market conditions continued in 2002 and 2003, resulting in the largest decline on record, and almost twice the drop in collections experienced during the last recession (FY92 = -5%)

➤ **Property Tax.** Collections during FY03 were \$700.1 million or \$55.6 million (+8.6%) above FY02 and stronger than the 7.1% percent growth estimated in the revised budget forecast. The sharp increase in property taxes is the result of higher reassessments attributed to the accelerated increases in home prices.

➤ **Transfer and Recordation Taxes.** The decline in mortgage interest rates to historic lows, which has spurred mortgage refinancing, and the 57 % rate increase for the recordation tax from 0.44% to 0.69% provided record levels of collections from the recordation tax. Collections from the recordation tax were 63.0% above last year, and collections from the transfer tax during FY03 were 6.5% above the same period last year. Collections from both taxes were \$37.5 million above the same period in FY02.

➤ **Other Taxes and Highway User Fund.** Total collections from excise taxes and the highway user fund to date are \$9.8 million (-12.9%) below collections during FY02. However, not all payments pertaining to FY03 have been received and recorded to date. Therefore a final comparison between FY02 and FY03 cannot be made until such collections are completed and applied to FY03. To date, collections from the fuel/energy and hotel/motel taxes are 6.7 percent and 3.1 percent, respectively, below FY02's collections. Collections from Highway User Fund are 16.3 percent lower than FY02.

➤ **Investment Income.** The accommodative monetary policy of the Federal Reserve during the past year and a half has effectively cut the interest rates on money market instruments to their lowest level in over fifty years. While such rate cuts have helped the national economy recover from the recession, they have cut the yields on short-term money market instruments particularly those investments undertaken by the County from 4.42% in March 2001 to 1.15% in June 2003, a drop of over 325 basis points and continuing a two-and-a-half year slide in short-term rates. Because of the rate cuts, investment income was \$9.6 million or 46.4% below last year's investment income.

MONTGOMERY COUNTY
MAJOR REVENUE COLLECTIONS
FISCAL YEAR 2003

	<i>REPORTING PERIOD</i>	<i>FY03</i>	<i>FY02</i>	<i>VARIANCE FY03 / FY02</i>	<i>PERCENT CHANGE</i>	<i>FY03 REVISED FORECAST</i>	<i>FY01</i>	<i>VARIANCE FY02/ FY01</i>	<i>PERCENT CHANGE</i>
<u>TAXES:</u>									
INCOME	<i>JUNE</i>	\$787,997,740	\$866,996,269	(\$78,998,528)	-9.1%	-9.6%	\$812,352,208	\$54,644,061	6.7%
PROPERTY	<i>JUNE</i>	700,124,296	644,523,032	55,601,264	8.6%	7.1%	623,819,662	20,703,370	3.3%
TRANSFER	<i>JUNE</i>	86,157,330	80,897,902	5,259,428	6.5%	8.0%	64,660,270	16,237,632	25.1%
RECORDATION	<i>JUNE</i>	83,426,194	51,187,172	32,239,022	63.0%	51.4%	37,721,142	13,466,030	35.7%
FUEL/ENERGY	<i>JUNE</i>	20,910,400	22,415,629	(1,505,229)	-6.7%	3.7%	23,197,048	(781,419)	-3.4%
HOTEL/MOTEL	<i>JUNE</i>	10,721,180	11,067,869	(346,689)	-3.1%	18.4%	13,137,687	(2,069,817)	-15.8%
TELEPHONE	<i>JUNE</i>	5,158,622	7,174,081	(2,015,459)	-28.1%	0.2%	7,618,541	(444,460)	-5.8%
ADMISSIONS	<i>JUNE</i>	2,343,119	3,046,614	(703,496)	-23.1%	3.4%	2,684,639	361,975	13.5%
<u>MISCELLANEOUS:</u>									
INVESTMENT INCOME	<i>JUNE</i>	11,094,884	20,706,916	(9,612,032)	-46.4%	-38.4%	49,500,479	(28,793,563)	-58.2%
HIGHWAY USER	<i>JUNE</i>	26,806,928	32,011,185	(5,204,256)	-16.3%	-3.7%	30,987,187	1,023,997	3.3%
<u>TOTAL</u>		\$1,734,740,694	\$1,740,026,669	(\$5,285,975)	-0.3%	-0.6%	\$1,665,678,862	\$74,347,807	4.5%

August 1, 2003